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The Aegean region will remain the most troublesome area of Europe, where tensions between Greece and Turkey remain high and US bilateral relations with these two NATO countries are likely to become more complicated as 1984 draws to a close:

- The second round of the Cyprus proximity talks sponsored by the UNSYG begin on 15 October, with neither the Greek Cypriots nor their Turkish counterparts promising to make any significant concessions. Should these talks fail, the chances increase that the UNSYG mediation will end, that the Turkish Cypriots will go forward with new elections and a new constitution, and that the Greek Cypriots will then resort to renewed arms purchases to bring Western pressure on the Turkish side.
- Rising tensions on Cyprus will be an additional burden on already strained relations between Athens and Washington. Papandreou has seemingly set out on a course designed to antagonize the US AND NATO -- cancelling participation in both NATO and US exercises, accusing the US of a "spying" mission in the KAL affair, and suggesting that changes in Greek policies on US/NATO port visits might be made. As the New Democracy Party becomes a greater threat to Papandreou's re-election prospects in 1985, we might expect more anti-US and anti-Turkish rhetoric, particularly if Athens believes that Washington is favoring Ankara on military aid decisions and Cyprus.
- Ankara also is showing increasing signs of disenchantment with Washington, stimulated primarily by congressional action to tie military aid to progress on Cyprus and resolutions on "Armenian genocide." Turkish feelings run high that Washington is not making good on its commitments to help modernize its armed forces. We expect that next year's DECA negotiations will be difficult, as the Turks have talked about requesting as much as \$1.5 billion in FY86 -- compared to this year's \$700 million.

Overall, there is reason to worry that the confluence of these trends will require considerable US diplomatic attention and crisis management.

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